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FISCAL IMPACT STATEMENT

LS 6982

BILL NUMBER: SB 485

NOTE PREPARED: Jan 24, 2005

BILL AMENDED:

SUBJECT: Health coverage for medical food.

FIRST AUTHOR: Sen. Wyss

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires a state employee health plan, a group accident and sickness insurance policy, and a group health maintenance organization contract to provide coverage for medical food for certain conditions.

Effective Date: July 1, 2005.

Explanation of State Expenditures: This bill potentially could increase the costs incurred by the state in providing health insurance benefits to state employees. The bill requires the state employee health plans, health insurance policies, and HMO contracts to provide for certain specified medical food.

The state currently has eight employee health plans. Two are self-insurance plans that Anthem administers, and six are provided by health maintenance organizations (HMOs). Anthem indicates that it currently provides what is covered in the proposal. M-Plan indicated that the cost to provide coverage for medical food would depend on the specific conditions and specific types of medical food intended to be covered. M-Plan currently provides state employees with coverage related to nutrition for inherited metabolic disease. Arnett indicated that including coverage for medical food would increase costs, but the specific impact could not be quantified due to a lack of data pertaining to frequency of need in the population or any data pertaining to the cost of this benefit.

The additional costs, if any, faced by the health plans would presumably be passed through to the state and state employees via higher premiums. The extent to which the required coverages would actually impact premiums, however, would likely depend upon the claims history of state employees and the extent to which these health plans already pay for the pertinent services.

Explanation of State Revenues:

Explanation of Local Expenditures: Similar to the state, increased premiums may result in additional costs to local governments and school corporations purchasing health benefits from insurance companies and HMOs for their employee health benefit plans. Again, the actual impact on premium costs would depend upon the claims history of a local unit's employees and the extent to which that local unit's employee health plan already pays for the pertinent services. In addition, a premium increase resulting from the bill may not necessarily imply additional budgetary outlays since employer responses to increased health benefit costs may include (1) greater employee cost sharing in health benefits, (2) reduction or elimination of health benefits, (3) reduction in the size of the workforce eligible for health benefits, and (4) passing costs onto workers in the form of lower wage increases than would otherwise occur.

Explanation of Local Revenues:

State Agencies Affected: State Department of Personnel.

Local Agencies Affected: Local Government Units and School Corporations.

Information Sources: State Department of Personnel, Anthem, Arnett, M-Plan.

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